

Testimony of Linda Behnken, director
Alaska Longline Fishermen's Association
Submitted to:
Sub-committee on Oceans and Fisheries
of the
Senate Committee on Commerce, Science, and Transportation
May 2, 2001

Members of the Committee,

Thank you for the opportunity to testify, and for the attention of this Committee to reauthorization of the Magnuson-Stevens Act and the implementation of future Individual Fishing Quota (IFQ) programs.

By way of introduction, let me provide you with information on my background relative to this issue. I have been a commercial longline fisherman in Alaska since 1982. I have worked as a deckhand since '82, and, since 1991, also as the owner/operator of a small combination troller/longliner. I did not receive an initial allocation of quota shares, but have since purchased small amounts of both sablefish and halibut IFQs.

Since 1991, I have served as director of the Alaska Longline Fishermen's Association (ALFA) and, as such, played an active role in developing and promoting adoption of the Alaska halibut and sablefish IFQ program. In 1992, I was appointed to the North Pacific Fishery Management Council, and am completing my ninth year as a member of the Council. Through these various roles, I have had an opportunity to gain a range of perspectives on IFQs and their impacts on the resource, the industry, and the coastal communities of Alaska.

Establishing program goals

Implementation of any limited entry program, whether that program takes the form of licenses, cooperatives, or IFQs, will always be controversial. Those who perceive themselves to be winners under the new program will generally support the program; those who perceive themselves to be losers, or left-out will oppose it. I believe the responsibility of managers is to separate the rhetoric from the substance, to identify legitimate problems and to clearly articulate goals and long-term objectives.

That said, the socioeconomic impacts of IFQs on fishing communities are

profound, and must be addressed. ALFA's, and therefore my, role in developing Alaska's halibut/sablefish program was to resolve resource problems associated with derby fishing while ensuring that socioeconomic safeguards relative to consolidation and corporate ownership were addressed through effective provisions. ALFA members helped the Council establish a vision for the fishery of the future that depended on characteristics essential to maintaining a healthy resource, a healthy industry and healthy communities. This vision included a diverse, owner-operated fleet (everything from skiffs to schooners, as we repeatedly stated) that delivered primarily fresh fish to coastal communities historically dependent on the fishery. ALFA insisted that the IFQ program include provision to limit consolidation, protect the small boat fleet, and provide an entry level affordable to people who lived in Alaska's coastal communities. We were proponents of the vessel size classes, the Block proposal, and the caps on quota consolidation. We opposed provisions that allowed leasing and absentee ownership, maintaining that the stewardship objectives attributed to quota share programs depend on direct involvement in the fisheries by those who made investments in the resource. While this final provision has been compromised to a far greater degree than ALFA members consider acceptable, all other provisions fundamental to our support for the program were adopted and implemented.

Lessons learned

Throughout the IFQ debates, regulators and some industry members objected that the socioeconomic caveats built into the sablefish/halibut program were overly restrictive, inflexible, and would cause the program to fail. Quite the opposite has proven to be the case. The restrictions have been barely adequate to meet program goals, and owner-on-board provisions requiring the quota share owner to be on board the vessel when shares are harvested have already been weakened. The message is clear: the provisions of IFQ programs will only be relaxed over time, they will never be tightened. The reasons are explained below.

When IFQ programs are formulated, all concerned parties are involved, voicing their needs and concerns. As time passes, those excluded from the program disappear, those hoping to buy quota some day have little leverage, and the pressure to change the program comes from quota share holders that are well vested, would like more flexibility, wish to accumulate more shares, and, in many cases, would like to sit on the beach in Hawaii while "share-croppers" harvest the fish for them. Without checks on the system, and some firm guidelines or standards from

Congress requiring direct ownership and involvement in the fishery by quota share holders, affordable entry level opportunities, and continued access by coastal community residents, IFQ programs are likely to devolve away from initial goals.

Congress can safeguard against this process by establishing standards for all future IFQ programs, including both conservation and socioeconomic goals. To ensure standards continue to be met as IFQ programs mature, Congress can, and I believe should, require performance reviews and the opportunity to re-specify use privileges. This is one of the recommendations cited in *Sharing the Fish*, the report issued by the National Research Council (NRC) commissioned to review IFQs (p. 150). By setting such standards and calling for periodic review, Congress can ensure that the very legitimate concerns about corporate ownership and quota consolidation voiced by independent fishermen and fishing communities are addressed. I would urge this Committee to establish such guidelines, and to require program reviews to determine whether long-term objectives are being met. In establishing these standards, I would urge the committee to rely heavily on the recommendations in *Sharing the Fish*. These recommendations, formulated by a diverse panel of fishery experts, reflect years of research, experience, public testimony and discussion.

Along the same lines, I would urge Congress to define "cooperatives" in the Magnuson-Stevens Act and to set similar standards for any future use of this management tool. As the Committee is no doubt aware, Alaska's pollock fishery is now harvested by pollock cooperatives that include harvesters, catcher processors, and processors. These cooperatives were formed without the guidance of Magnuson-Stevens Act directives and without public involvement. If Congress intends to allow Councils to consider the formation of cooperatives in other fisheries, guidelines comparable to those addressing future IFQ programs, including entry level provisions, accommodations for coastal communities, and performance reviews, need to be incorporated into the Magnuson-Stevens Act.

Senate Bill 637

I would like to offer a few comments specific to S. 637. ALFA welcomes language included in the Bill that speaks to minimizing impacts on coastal communities and providing a portion of the quota for entry-level opportunities, small vessel owners, and crew members. Whether or not quota is initially set aside for these entities, their needs must be addressed by IFQ programs. I would suggest language that also

establishes a minimum goal for quota share ownership by people actively participating in the fisheries, as owner-operators, skippers or crew members. This direct involvement by quota share holders will ensure that stewardship goals are realized, excessive share caps are effective, foreign ownership is controlled, entry-level opportunities remain affordable and active fishermen continue to benefit from the program. Without such language, over time absentee ownership by corporations will become the rule--to the detriment of the resource, the fishing communities, and ultimately the Nation.

Finally, ALFA would like to applaud Senator Snowe for specifically excluding processors from the list of eligible quota share holders. I am sure you will hear testimony from processors highlighting the disastrous effects of halibut quota shares on their operations. I have heard the same testimony, as did the NRC Panel during the Congressionally requested IFQ review. I have seen no evidence to support their claims. In fact, the fishermen-owned processing cooperative in Sitka has fared very well under the IFQ program, despite being off the road system. Some overhead costs have increased (the year-round labor force includes more people at higher wage rates than did the labor force hired to work during the fishing derbies) while others have gone down (e.g., overtime pay). Although ALFA recognizes the importance of protecting the investments of processors, members do not consider allocations to processors, either through a "two pie" or a "one pie" system, to be the appropriate means of protecting those investments. In fact, ALFA members remain convinced that processor quotas will eliminate competitive markets and independent fishermen, turning the clock back to days when processors controlled the fisheries and Alaska's salmon runs were severely over-fished.

In considering the issue of processor shares, I would again draw the Committee attention to *Sharing the Fish* (pp. 154-155). The NRC Committee raised questions relative to vertical integration, foreign ownership, the existing balance between fishermen and processors, and the extent to which processors have already depreciated capacity or been compensated by the government through other tax benefits. I would urge the Committee to consider each of these questions, particularly the issue of foreign ownership.

The American Fisheries Act raised the U.S. ownership requirement for vessels operating in Alaska's pollock fishery waters to 75%. Certainly other U.S. fisheries should adopt this standard. While there are still a few processors in Alaska that are entirely U.S. owned (two of which

have been invited to testify), they represent a frighteningly small minority. Alaska's processing capacity is largely owned by multi-national corporations, as I am sure you are aware. If quota shares are issued to processors, or processors are allowed to purchase shares, how will the U.S. retain ownership of America's fishery resources? Will we lose all the benefits of Americanization that began with the original Magnuson Act? I can not see how such a trend could be avoided, nor can I imagine Congress allowing such a trend to occur.

That said, ALFA's membership has always recognized the importance of the processing sector to the health of both the fishing industry and the coastal communities. Under the halibut/sablefish program, ALFA supported vessel classes that require shore-based processing of approximately 80% of the total catch; in other words, fishermen supported a measure that limited their ability to freeze, or process catch in order to provide some protection to the processing sector. We would support measures to compensate processors for stranded capital (a one-time expense) and would likewise support requirements for regional delivery patterns provided competitive markets are maintained. ALFA members believe these measures would address the legitimate concerns of processors without allowing processors to gain control of the fisheries. ALFA can not support processor shares or a program that does not limit vertical integration of processors into the harvesting sector.

Summary

IFQs are a valuable management tool for addressing resource problems and rationalizing fisheries. Because socioeconomic impacts can be profound, Congress must ensure that Council's address the concerns of fishermen and coastal communities. If properly designed, IFQ programs can promote stewardship, industry stability, and economic health in coastal communities. To ensure that these objectives guide the development of future programs, ALFA members urge Congress, through this Committee, to develop conservation and socioeconomic standards for future IFQ programs. Likewise members urge that Congress schedule performance reviews to ensure program goals are achieved, and require use privileges be changed if original goals are compromised. The socioeconomic standards should include quota share ownership by active fishermen (including vessel owners, skippers and crew), entry-level opportunities, sustained access by coastal community residents, and healthy, competitive markets. Although only touched on in this testimony, ALFA also supports conservation standards pertaining to bycatch reduction and habitat protection.

In closing, I would like to thank Senator Snowe for introducing S. 637, Senator Stevens for his long-term commitment to the Nation's fisheries, and all members of this committee for the opportunity to testify.

Respectfully,

Linda Behnken
(executive director, ALFA)